

Capital Construction Funding

Last updated on Tuesday, January 20, 2004

Summary

The purpose of this advisory is to clarify the use of:

Facilities Support Program of Kentucky (FSPK) Local nickle (5) equivalent tax & State Equilization Funds.

School Facilities Construction Commission (SFCC) offers of assistance
Growth district levy for facilities
Capital Outlay from Support Education Excellence in Kentucky (SEEK)
General fund revenues restricted to building purposes

Facilities Support Program of Kentucky (FSPK)

Legal Requirements: KRS 157.440(1)(b) requires the following:

1. The district shall commit at least a five cent (5¢) equivalent tax to debt service on facility bond issues, new facilities, or major renovations of existing school facilities.
2. The five cent (5¢) equivalent tax is in addition to the minimum thirty cent (30¢) equivalent tax required by KRS 160.470(12).
3. The levy shall be made no later than October 1 of each odd-numbered year. Eligibility for equalization funds for the biennium shall be based on the district funds committed to debt service on that date.
4. The five cent (5¢) equivalent tax shall be equalized at one hundred fifty percent (150%) of the statewide average per pupil assessment. (The General Assembly sets the level of equalization in the Biennial Budget.)
5. The equalization funds shall be committed to debt service on facility bond issues to the greatest extent possible, but any excess equalization funds not needed for debt service shall be deposited to a restricted building fund account. The funds may be escrowed for future debt service or used to address priorities listed in the approved facilities plan.

Eligibility Criteria: The eligibility calculation for FSPK equalization shall be based on the current year certified assessment and the prior year's adjusted average daily

attendance (AADA). Debt service must be within \$10,000 of or exceed the local five cent (5¢) equivalent tax by October 1 of each odd numbered year (See Attachment A: Facility Support Program of Kentucky).

Use of Funds: KRS 157.440 requires that revenues generated by the FSPK local five cent (5¢) equivalent tax and FSPK state equalization funds be limited to debt service on facility bond issues, new facilities, and major renovations of existing facilities as listed in the district's approved facility plan. Allowable expenditures include the following: purchase of sites, construction and equipping of new school buildings, and debt service on facility bond issues. Expenditure of these funds for equipment *will not be permitted*, except in the equipping of a new school or in conjunction with a major renovation project. Computers are not considered equipment for these purposes. There is no provision in the statute which would permit reimbursement of general fund expenditures for maintenance and property insurance or any other expenditure from these funds for a district with identified facility needs. Equalization funds not committed to debt service shall be deposited to a restricted building fund account. Expenditure restrictions for equalization funds are the same as for revenues generated by the five cent equivalent tax levy. Any district which is not eligible for equalization and has not accepted assistance from SFCC may be permitted upon written application to the Division of Finance to transfer the FSPK local five cent (5¢) equivalent tax revenue for other school purposes.

School Facilities Construction Commission (SFCC)

Legal Requirements: KRS 157.611 through 157.640 establishes the School Facilities Construction Commission (SFCC) to assist local school districts in meeting their capital construction needs. The SFCC shall use the statement of school facility construction needs and local available revenue as certified by the Kentucky Board of Education to determine the rate of participation of each school district in any given biennium. The amount allocated to school districts is based on available state funding and the percentage of a district's unmet facility needs to the total statewide needs. The SFCC portion of the bond sale shall be limited to twenty (20) years with a level repayment schedule.

Eligibility Criteria: To participate in the SFCC funding program, a district must have unmet facility needs as shown by the approved facilities plan less any available local revenue. Eligibility also requires that the FSPK local five cent (5¢) equivalent tax revenue be budgeted for facility debt service, new buildings, additions, or major renovations (See Attachment B: Major Renovation as defined in the Kentucky School Facilities Manual) of existing facilities and all "available local revenue" be transferred to a restricted account for school building construction on June 30 of each year. "Available local revenue" is defined in KRS 157.615 as the following from the Annual Financial Report (AFR) for Non-MUNIS districts and from the AFR and Balance Sheet for MUNIS districts:

Non-MUNIS MUNIS

School Building Fund Account Balance Recap C	Line 5, Page 1732-8770
+ 80% Capital Outlay Fund Allotment	Code 94.12 310-3111
+ Capital Outlay Fund Account Balance Recap D	Line 5, Page 17 31-8770
+ General Fund Balance above 10% of Recap B	Line 5, Page 10 10-8770
The above line budget Line U, Page 9 10-8770 Fund 1 Total Expenditures	

Use of Funds: The school district is required to expend "all available local revenue" as defined above before funds generated by SFCC bond sales are expended. "All available local revenue" for a project shall be expended for major renovations and/or construction of the identified project. The balance of funds in the construction accounts remaining after the completion of a project may be expended on the next project of the approved facilities plan. These costs may include site acquisition, architectural and engineering services, financial and legal services, and equipment.

Growth District Levy for Facilities

Legal Requirements: KRS 157.621, created by the 1994 General Assembly, allowed districts meeting the following criteria to levy an additional five cent (5¢) equivalent tax for debt service and new facilities:

1. Growth of at least one hundred fifty (150) students in AADA and three percent (3%) overall growth for the five (5) preceding years;
2. Debt service equal to the sum of eighty percent (80%) of SEEK capital outlay, FSPK local five cent (5¢) equivalent tax, and FSPK state equalization;
3. Current student enrollment in excess of available classroom space; and
4. A local school facility plan that has been approved by Kentucky Board of Education and certified to SFCC.

KRS 157.621 contains a sunset provision should the FSPK program be fully funded. The 1996-98 Biennial Budget provided full funding for the FSPK program causing the expiration of the provisions of the Growth District Levy. School districts that levied this tax prior to the sunset provisions becoming effective are permitted to retain the levy.

Use of Funds: These funds may be used only for debt service on facility bond issues and new facilities.

SEEK Capital Outlay

Legal Requirements: KRS 157.420 (4) requires that the per pupil capital outlay allotment for each district be kept in a separate account and be used for projects approved by the Commissioner of Education.

Use of Funds: The SEEK capital outlay allotment (\$100/AADA) may only be used for capital outlay projects identified in the district's facility plan. Allowable expenditures include the following: direct payment of construction costs, principal and interest (debt service) on school revenue bonds for facilities, lease rental agreements under which the board will eventually acquire ownership of a school plant, retirement of any deficit

resulting from over expenditure for capital construction and as a reserve fund for these purposes to be carried forward in ensuing budgets. A school district with an approved facility plan showing no capital outlay needs, upon approval by the Chief State School Officer (CSSO), may use these funds for other expenses. It should be noted, however, that these capital outlay funds may not be used to match the SFCC offer of assistance for technology.

General Funds

Legal Requirements: KRS 160.476 authorizes districts to restrict general funds for building purposes.

Use of Funds: Revenues generated through general fund sources may, by board action, be designated to a "school building fund" for capital construction, debt service on facility bond issues and equipping of facilities. Once revenues have been designated to a school building fund, the funds must be spent in accordance with these restrictions and may not be returned to the General Fund. If a district desires to use this fund for debt service, the following will apply:

Districts levying a new tax: New moneys from increasing the tax levy may be placed in the "school building fund" to retire debt service.

Districts not levying a new tax: KDE approval to place current tax revenues in the "school building fund" to retire debt service shall be considered on a case by case basis.

Recap of Fund Use

In budgeting for debt service on facility bond issues, the following sources should be obligated in the following priority order:

1. FSPK local five cent (5¢) equivalent tax;
2. SEEK Capital Outlay;
3. FSPK state equalization;
4. Growth district levy for facilities;
5. General funds restricted for building purposes

If debt service payments are made from the general fund due to cash flow needs, reimbursement from the proper resource must be made prior to the end of the year. MUNIS districts must budget and make debt service payments in Fund 310 and 320. At the end of the fiscal year, the MUNIS district must transfer sufficient general fund moneys to zero out any over expenditure. KRS 157.420 provides that expenditures other than debt service from capital outlay and building funds be approved by the Division of Facilities Management and the Division of Finance via the BG-1 application process (See "Guidelines of Best Practices for School Building Projects").

Non-MUNIS Accounting Procedures

Receipts from the FSPK local five cent (5¢) equivalent tax should be budgeted below the line in code 94.11 and transferred to a separate building fund account via code 1481.11. Those districts which have levied the local five cent (5¢) equivalent tax, but have never accepted an offer of assistance from SFCC per KRS 157.620(a), may transfer this revenue from the building fund account back to the general fund upon written application to the Division of Finance. The resulting general fund receipt should be coded above the line in 83.02 (other reimbursement).

FSPK Equalization funds should be budgeted below the line in code 94.22 and transferred to the same building fund account through code 1481.22.

The growth district levy for facilities should be budgeted below the line in code 94.11 and transferred to the building fund account through code 1481.11

The building fund budget should be used to budget revenues generated by the FSPK local five cent (5¢) tax, state FSPK equalization funds, and the growth district levy for facilities. Revenues generated by any additional tax levy made by the board for facility purposes should also be included in the building fund budget (See Attachment C: Non-MUNIS Building Fund Budget)

Receipts from the SEEK Capital Outlay should be budgeted below the line in code 94.12 and transferred to the SEEK Capital Outlay account through code 1481.12. The SEEK Capital Outlay Fund Budget should be used to budget receipts and expenditures of these funds (See Attachment D: Non-MUNIS Capital Outlay Budget).

MUNIS Accounting Procedures

Receipts from the FSPK local five cent (5¢) equivalent tax should be budgeted in fund 320. Those districts which have levied the five cent (5¢) equivalent tax, but have never accepted an offer of assistance from SFCC per KRS 157.620(a), may transfer this revenue from the building fund account back to the general fund upon written application to the Division of Finance.

State FSPK Equalization funds should be budgeted in fund 320.

The growth district levy for facilities should be budgeted in fund 320.

The building fund budget should be used to budget revenues generated by the FSPK local five cent (5¢) tax levy, FSPK equalization funds, and the growth district levy for facilities. Revenues generated by any additional tax levy made by the board for facility purposes should also be included in the building fund budget (See Attachment E: MUNIS Building Fund Budget)

Receipts from the SEEK Capital Outlay should be budgeted in fund 310. The SEEK Capital Outlay Fund Budget should be used to budget receipts and expenditures of these funds (See Attachment F: MUNIS Capital Outlay Budget).

Attachment A

FACILITY SUPPORT PROGRAM OF KENTUCKY (FSPK)

Sample Calculation for 96-98 Biennium

Sample District:

1	Assessment	\$320,000,000.00
2	Adjusted Average Daily Attend	\$ 2,500.00
3	Per Pupil Assessment	\$128,000.00
4	State Equalization Level (150% of Statewide avg.per pub. assessment	\$365,000.00
5	Debt Service as of October 1, 1995	\$374,000.00

Eligibility for Equalization:

A	Amount Generated by Local FSPK 5% Equivalent Bldg. Fund Tax (1 * .0005)	\$160,000.00
B	Less Debt Service (5)	\$ 374,000.00
C	Debt Service Needed for Equalization (A – B) If positive, debt service must be in place by Oct. 1 of the odd numbered year to qualify for equalization the following biennium.	\$214,000.00

Equalization Calculation:

a.	Maximum Eligibility per Pupil (4 * .0005)	\$182.50
b.	Local Effort per Pupil (3 * .0005)	\$64.00
c.	State Equalization per Pupil (a - b)	\$118.50
d.	Total Local Effort (b * 2)	\$160,000.00
e.	Total State Equalization (c * 2)	\$296,250.00

KENTUCKY SCHOOL FACILITIES MANUAL

MAJOR RENOVATION - A renovation project at a permanent center including three or more building systems and an estimated cost of twenty percent (20%) of the current replacement cost of the building or portion thereof. The building shall be a minimum of 20 years old, or 20 years shall have passed since its last major renovation; with the exception of restructuring an open space school for conventional classrooms. The building may be the entire permanent center or a clearly definable portion (i.e., 1973 addition, senior high wing, physical education facility, etc.).

Building systems are defined as foundations, exterior walls, roofing, ceilings, structural, mechanical (HVAC), electrical (including lighting), plumbing, sewage, doors and hardware, windows, floor finishes and coverings, technology and fixed equipment.

Power wiring for the technology portion of KERA will meet the major renovation requirement for category 1d. (KERA strands) priority projects on the facility plan.

Attachment C

NON-MUNIS BUILDING FUND BUDGET

Facility Support Program of Kentucky (FSPK) 5¢ Levy and Equalization, Growth District Levy for Facilities, and/or Other School Building Funds Authorized by KRS 160.476.

1. Balance on Hand Beginning of Year:

Cash and Investments	258,905.00
----------------------	------------

2. Receipts:

A. Building Fund Tax Revenue:

1	General Property	309,376.99
2	Delinquent	1,806.12
3	Franchise	8,593.71
4	Distilled Spirits	0-
5	Motor Vehicle	30,223.18
	Total Building Fund Tax Rev.	350,000.00

B	Sale of Land	0.00
C	Sale of Building	0.00
D	Transfer from Gen. Fund	0.00
E	Interest	1,957.87
F	State FSPK Equalization	58,474.00
G	Other Sources	5,880.89
	Total Receipts (A thru G)	416,312.76
		=====

3. Total Balance and Receipts:

Item #1 + Item#2	675,217.00
------------------	------------

4. Expenditures:

1251.01	Purchase of Sites	0.00
1251.02	Improvement of Sites	5,987.00
1261.01	Professional Service on Bldgs	45,193.11
1261.02	New Bldg. & Additons	0.00
1261.03	Remodeling	58,853.00
1271	Equipment – Adm.	60,000.00
1272	Equipment – Instruction	0.00
1274	Equip. – Maint. & Operations	13,527.70
1275	Equip. – Other	0
1351.01	Debt Serv. – Prin. on Rev. Bonds	120,000.00

1361.01	Debt Serv. – Int. on Rev. Bonds	124,470.57
1371	Debt Service – Other	1,050.00
	TOTAL EXPENDITURES	429,081.38 =====

5. Balance To Be Carried Forward in Ensuing Budget:

Cash and Investments (3-4)	246,136.38
----------------------------	------------

Attachment D

NON-MUNIS SEEK CAPITAL OUTLAY FUND BUDGET

1. Balance on Hand Beginning of Year

Cash and Investments	33, 065.00
----------------------	------------

2. Receipts:

A	SEEK Capital Outlay Allotment	250,000.00
B	Interest	1,500.00
C	Other (Explain)	0.00
D	Other (Explain)	0.00
	Total Receipts (A Thru D)	251,500.00

3.

Total Balance & Receipts (1 + 2)	284, 565.00
----------------------------------	-------------

4. Expenditures

1251.01	Purchase of Sites	0.00
1251.02	Improvement of Sites	0.00
1261.01	Professional Service on Bldgs	0.00
1261.02	New Bldg. & Additons	0.00
1261.03	Remodeling	0.00
1271	Equipment – Adm.	0.00
1272	Equipment – Instruction	33,065.00
1274	Equip. – Maint. & Operations	0.00
1275	Equip. – Other	0.00
1351.01	Debt Serv. – Prin. on Rev. Bonds	0.00
1361.01	Debt Serv. – Int. on Rev. Bonds	251, 500.00
1371	Debt Service – Other	0.00
	TOTAL EXPENDITURES	284, 565.00

5. Balance To Be Carried Forward in Ensuing Budget-

Cash and Investments (3-4)	0.00
----------------------------	------

Attachment E

MUNIS BUILDING FUND BUDGET

Facility Support Program of Kentucky (FSPK) 5¢ Levy and Equalization, Growth District Levy for Facilities, and/or Other School Building Funds Authorized by KRS 160.476.

1. Balance on Hand Beginning of Year (Cash and Investments) 258,905.00

2. Receipts:

A. Building Fund Tax Revenue:

1	General Property	309,376.99
2	Delinquent	1,806.12
3	Franchise	8,593.71
4	Distilled Spirits	0-
5	Motor Vehicle	30,223.18
	Total Building Fund Tax Rev.	350,000.00

B	Sale of Land	0.00
C	Sale of Building	0.00
D	Transfer from Gen. Fund	0.00
E	Interest	1,957.87
F	State FSPK Equalization	58,474.00
G	Other Sources	5,880.89
	Total Receipts (A thru G)	416,312.76
		=====

3. Total Balance and Receipts

Item #1 + Item#2	675,217.76
------------------	------------

4. Expenditures

0003206 - 0710	Purchase of Sites	0.00
0003207- A11	Improvement of Sites (except 073*)	5,987.00
00032** - 03**	Professional Service on Bldgs	45,193.11
0003210 - All	New Bldg. & Additons (except 073*)	0.00
0003211 - All	Remodeling (except 073*)	58,853.00
00032** - 0736	Equipment - Adm.	60,000.00
00032** - 0735	Equipment - Instruction	0.00
00032** - 0731	Equip. - Maint. & Operations	13,527.70
00032** - 073*	Equip. - Other	0.00
0003212 - 0911	Debt Serv. - Prin. on Rev. Bonds	0.00
0003212 - 0831	Debt Serv. - Int. on Rev. Bonds	251,500.00
0003212 - 0934	Debt Service - Other	0.00
0003212 - 0940	Payments to Escrow Agents	0.00

	TOTAL EXPENDITURES	429, 081.38 =====
--	---------------------------	-----------------------------

5. Balance To Be Carried Forward in Ensuing Budget-

Cash and Investments (3-4)	246,136.38
----------------------------	------------

Attachment F

MUNIS SEEK CAPITAL OUTLAY FUND BUDGET

1. Balance on Hand Beginning of Year

Cash and Investments	33,065.00
----------------------	-----------

2. Receipts:

A	SEEK Capital Outlay Allotment	246,330.00
B	Interest	1,500.00
C	Other (Explain)	0.00
D	Other (Explain)	0.00
	Total Receipts (A Thru D)	247,830.00

3.

Total Balance and Receipts (1 + 2)	280,895.00
------------------------------------	------------

4. Expenditures

0003206 - 0710	Purchase of Sites	0.00
0003207- A11	Improvement of Sites (except 073*)	0.00
00032** - 03**	Professional Service on Bldgs	0.00
0003210 – All	New Bldg. & Additons (except 073*)	0.00
0003211 – All	Remodeling (except 073*)	0.00
00032** - 0736	Equipment – Adm.	0.00
00032** - 0735	Equipment – Instruction	33,065.00
00032** - 0731	Equip. – Maint. & Operations	0.00
00032** - 073*	Equip. – Other (not 0735,0736,0731)	0.00
0003212 - 0911	Debt Serv. – Prin. on Rev. Bonds	0.00
0003212 - 0831	Debt Serv. – Int. on Rev. Bonds	247,830.00
0003212 - 0934	Debt Service – Other	0.00
0003212 - 0940	Payments to Escrow Agents	0.00
	TOTAL EXPENDITURES	280,895.00 =====

5. Balance To Be Carried Forward in Ensuing Budget:

Cash and Investments (3-4)	0.00
----------------------------	------